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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Financial Regulations and Rules of the United Nations

Amendment to the additional terms of reference governing the audit of the United Nations

Report by the Secretary-General

1. The annex to the Financial Regulations of the United Nations contains the additional terms of reference governing the audit of the United Nations. Paragraph 5 of the annex relates to the contents of the audit opinion; for ease of reference, its current text is reproduced in the annex to the present report.

2. At its thirty-seventh session, in December 1996, the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency considered and endorsed a revised text governing the content of the audit opinion. The revision was intended to reflect the requirements of International Standard on Auditing No. 13 adopted by the International Federation of Accountants, which covers the auditor's report on financial statements. Essentially, these requirements add four new elements to the current content of the audit opinion:

(a) Reference to the Secretary-General's responsibility for the financial statements and to the Board of Auditors' responsibility for expressing an opinion on those statements;

(b) An explanation of the auditing standards followed and of what the audit includes;

(c) Two separate opinions, one covering the fair presentation of the statements and the second covering compliance with the Financial Regulations and legislative authority;

(d) A cross-reference to the Board of Auditors' long-form report where appropriate.

3. The Panel emphasized that the new approach would not limit or reduce the existing scope of the external auditors' work, which would continue to be governed by the Financial Regulations of the United Nations. The Panel believes that the new content of the audit opinion represents current best practice in the accounting and auditing profession and recommended that it should be introduced throughout the United Nations system. The Secretary-General concurs with this recommendation and invites the General Assembly to approve the revised text of paragraph 5 of the additional terms of reference governing the audit of the United Nations, which would read as follows:

"5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements of the United Nations. The opinion shall include the following basic elements:

(a) The identification of the financial statements audited;

(b) A reference to the responsibility of the Secretary-General and the responsibility of the Board of Auditors;

(c) A reference to the audit standards followed;

(d) A description of the work performed;

(e) An expression of opinion on the financial statements as to whether:

(i) The financial statements present fairly the financial position as at the end of the period and the results of the operations for the period;

(ii) The financial statements were prepared in accordance with the stated accounting policies;

(iii) The accounting policies were applied on a basis consistent with that of the preceding financial period;

(f) An expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;

(g) The date of the opinion;

(h) The names and positions of the members of the Board of Auditors;

(i) Should it be necessary, a reference to the report of the Board of Auditors on the financial statements."

4. It should be noted that, at the request of the Chairman of the Panel, the Secretary-General, in his capacity as Chairman of the Administrative Committee on Coordination, has brought the revision suggested by the Panel to the

attention of the members of the Administrative Committee. Member organizations of the Administrative Committee on Coordination have decided to recommend to their governing bodies approval of any necessary changes in the annex to the Financial Regulations. While all opinions would contain the same basic elements (described in para. 3 above), the precise and detailed wording of the audit opinion would rest with each organization's external auditors.

ANNEX

Paragraph 5 of the annex to the Financial Regulations of the United Nations

"5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion on the financial statements which shall read as follows:

'We have examined the following appended financial statements, numbered ... to ..., properly identified, and relevant schedules of (name of the body) for the financial period ended 31 December 19 ... Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.',

and which shall state, as appropriate, whether:

"(a) The financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended;

"(b) The financial statements were prepared in accordance with the stated accounting principles;

"(c) The accounting principles were applied on a basis consistent with that of the preceding financial period;

"(d) Transactions were in accordance with the Financial Regulations and legislative authority."